

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6610

BILL NUMBER: SB 174

NOTE PREPARED: Feb 1, 2012

BILL AMENDED: Jan 31, 2012

SUBJECT: Local Government Reorganization.

FIRST AUTHOR: Sen. Lawson C

FIRST SPONSOR: Rep. Torr

BILL STATUS: As Passed Senate

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill has the following provisions:

Reorganization Committee: Effective January 1, 2013, the bill eliminates the requirement that a reorganization committee must be appointed to prepare the reorganization plan as part of a proposed local government reorganization. It provides that the legislative bodies of the reorganizing political subdivisions (rather than a reorganization committee) shall prepare the reorganization plan that must be adopted by the legislative bodies before the proposed reorganization is placed on the ballot.

Fiscal Impact Analysis: The bill requires that a reorganization plan must include a fiscal impact analysis, and it specifies the required contents of the fiscal impact analysis. It provides that the fiscal impact analysis must specify any estimated effects on political subdivisions in the county that are not participating in the reorganization and on taxpayers located in those political subdivisions. It also requires the fiscal impact analysis to be submitted to the Department of Local Government Finance (DLGF) at least six months before the election in which the public question will be on the ballot.

Department of Local Government Finance: The bill requires the DLGF to do the following within a reasonable time, but not later than 30 days before the public question:

- (1) Review the fiscal impact analysis.
- (2) Make any comments concerning the fiscal impact analysis that the DLGF considers appropriate.
- (3) Provide comments to the legislative body of the reorganizing political subdivisions and post the comments on the DLGF's Internet web site.

It requires the reorganizing political subdivisions to pay the expenses incurred by the DLGF in carrying out the review and preparing the comments.

The bill requires that a brief description of the reorganized political subdivision that will succeed the reorganizing political subdivisions must be placed on the ballot of the public question. It provides that for a public question voted on by voters after June 30, 2012, the county election board shall submit the language to the DLGF for review.

The bill requires the DLGF to review the language of the public question to: (1) evaluate whether the description of the reorganized political subdivision is accurate and not biased; and (2) approve or make binding recommendations to the county election board regarding the ballot language. It requires the county election board to take final action to approve the ballot language.

The bill provides that certification of a public question on a proposed local government reorganization must occur as required for other public questions under the election law.

Tally of Votes: It provides that in the case of a proposed reorganization between a municipality and a township that is voted on by voters after December 31, 2012: (1) the voters residing within the municipality shall be included only in the tally of votes for the municipality and shall not be included in the tally of votes for the township; and (2) the voters who reside within the township but do not reside within the municipality shall be included only in the tally of votes for the township and shall not be included in the tally of votes for the municipality.

For reorganizations voted on after December 31, 2012, the bill requires (rather than allows) the use of an "approval threshold" in the case of a proposed local government reorganization involving a: (1) county and a municipality; or (2) a municipality and a township. (Under current law, "rejection thresholds" are optional and may be used only in a reorganization between a county and a municipality).

It also provides that for a reorganization that is voted on after December 31, 2012, between a county and a municipality to be approved, the number of voters voting to approve the reorganization must equal or exceed the approval thresholds set in the reorganization plan for: (1) the municipality; (2) for the area of the county outside the municipality; and (3) countywide.

The bill provides that the approval threshold for the municipality and area of the county outside the municipality must be greater than 50% but not more than 55%. (Under current law the approval percentage for the countywide vote must be greater than 50%.) It specifies that in order for a reorganization that is voted on after December 31, 2012, between a municipality and a township to be approved, the number of voters voting to approve the reorganization must equal or exceed the approval thresholds set in the reorganization plan for: (1) the municipality; (2) for the area of the township outside the municipality; and (3) for the combined area of the township and the municipality.

The bill also provides that the approval threshold for the municipality and the area of the township outside the municipality must be greater than 50% but not more than 55%. It provides that the approval percentage for the combined area of the municipality and the township must be greater than 50%.

Nonreorganizing Subdivisions: It provides that if a political subdivision is located in whole or in part within one or more other political subdivisions that reorganize and the first political subdivision does not participate

in or does not approve the reorganization: (1) the reorganization does not affect the rights, powers, and duties of the first political subdivision; and (2) the reorganized political subdivision may not exercise within the first political subdivision any right, power, or duty unless that right, power, or duty was exercised within the first political subdivision before the reorganization by at least one of the reorganizing political subdivisions.

The bill provides that a plan of reorganization may establish within a reorganized political subdivision territories or districts: (1) in which specified services provided by the reorganized political subdivision will be provided at different levels, quantities, or amounts; and (2) in which the fees, charges, or taxes imposed by the reorganized political subdivision will vary depending on the level, quantity, or amount of the services.

Powers and Duties of Reorganized Subdivisions: The bill specifies that a reorganized political subdivision must continue to carry out the duties imposed by Indiana law on the reorganizing political subdivisions that combined to form the reorganized political subdivision.

It specifies that a reorganized political subdivision created from two or more townships and at least one municipality that have reorganized: (1) may exercise park and recreation powers and establish a park and recreation board if the reorganized political subdivision's plan of reorganization authorizes the reorganized political subdivision to exercise those powers; and (2) may exercise planning and zoning power if the reorganized political subdivision's plan of reorganization authorizes the reorganized political subdivision to exercise those powers. The bill also provides that such a reorganized political subdivision shall, by resolution or in the plan of reorganization, determine the number of members to be appointed to the reorganized political subdivision's park and recreation board, advisory plan commission, and board of zoning appeals.

The bill provides that a political subdivision may not take certain actions within a reorganizing political subdivision after the date a plan of reorganization is finally adopted by all reorganizing political subdivisions unless one of the following occurs:

- (1) All reorganizing political subdivisions agree to allow the action by adopting identical resolutions.
- (2) The plan is rejected by voters in a referendum.
- (3) The plan is approved by voters and the earlier of the following occurs:
 - (A) The plan is implemented.
 - (B) One year elapses from the date the plan has been approved.

Town to City: The bill requires a town legislative body to adopt a resolution not later than 30 days after a petition is filed for a referendum on changing the town into a city.

Referendum Date: The bill provides that the date of the referendum must not be later than the earlier of the date of the next general election or the date of the next municipal election, at which a question may be placed on the ballot. It requires the first election of city officers to be held on the earlier of the date of the next general election or a municipal election following the date of the referendum.

Classification: The bill provides that notwithstanding the statute setting out the classification of municipalities, for purposes of local government administration a municipality reorganized under the local government reorganization statutes may, subject to the approval of the DLGF: (1) be classified and described as set forth in the reorganization plan; and (2) maintain characteristics of any of the reorganizing political subdivisions.

Effective Date: July 1, 2012; January 1, 2013.

Explanation of State Expenditures: *DLGF:* The DLGF is to certify its expenses for review of, comment on, and posting on its website of a fiscal impact analysis concerning a political subdivision reorganization. The reorganizing political subdivisions will reimburse the expenses. [There are no data available to estimate how much expense the DLGF may incur with these added responsibilities.]

Additionally, the DLGF is to review and certify approved ballot language to the county election board. A county election board will submit the ballot language for review. If the DLGF makes recommendations to modify the language, the county election board must resubmit the modified language to the DLGF. The ballot language may not be certified by the county election board unless the DLGF has certified its final approval. This function is unreimbursed and may increase costs for the DLGF. The increase will depend on the number of ballot questions the DLGF must approve and the complexity of the language.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *Summary:* The bill could increase costs for reorganization by political subdivisions by requiring a fiscal impact analyses and to reimburse for DLGF expenses concerning review of the fiscal impact analyses. Plan amendments are to be posted to the entity's website, which may require minimal cost. To the extent that a reorganization could work more efficiently, avoid duplication of services, or reduce costs, the additional information or steps required may delay or reduce the number of combinations. The additional costs will depend on the circumstances of the reorganization and the number of political subdivisions involved.

The repeal of the reorganization committee could minimally reduce costs by eliminating the expense reimbursement to which the members of the committee would be entitled. All duties for developing a reorganization plan would remain and would be undertaken by the legislative bodies of the reorganizing political subdivisions.

Background and Additional Information: Under current law, the reorganizing political subdivision with the largest population pays the expenses of the reorganization committee and then seeks reimbursement from the other reorganizing subdivisions in accordance with adopted agreements or in proportion to population size.

Fiscal Impact Analysis: Under current law, the reorganization committee must include in a plan whether a fiscal impact analysis has been prepared and if it has been made publically available. Under the bill, the fiscal impact analysis must include at a minimum the estimated effect on the taxpayers of each political subdivision, a description and the method(s) of financing planned services, a description and the method(s) of financing capital improvements, and any estimated effects on nonparticipating political subdivisions in the county and its taxpayers.

DLGF Reimbursement: (See *Explanation of State Expenditures.*)

Reorganization of Townships: The costs of the provisions concerning transfer of certain cemeteries or parks and recreation board powers and duties are indeterminate and will depend on any efficiencies that may be gained in such a transfer.

Explanation of Local Revenues:

State Agencies Affected: DLGF.

Local Agencies Affected: Local units.

Information Sources:

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